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SUBJECT: "AND PUTIN SMILED": HUNGARIAN READ-OUT ON THE  
FINNO-UGRIC SUMMIT

REF: A) BUDAPEST DAILY JULY 20 B) BUDAPEST 1140

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

11. (S) Summary: Prime Minister Gyurcsany's Foreign and Security Policy Advisor, Karoly Banai, briefed Ambassador Foley on the July 19 Finno-Ugric Summit in Saransk, Russia, privately acknowledging the negative optics of the event but making every effort to downplay the discussion of political issues. Banai conceded his personal opposition to the Saransk trip, indicating that the PM now recognizes the importance of making clear his commitment to the Euro-Atlantic community and predicting that he is "ready and determined to do so." Banai noted, however, that visible progress "may take time." He also echoed comments by other senior Hungarian officials suggesting a delineation between Hungary's economic ties with Russia and its political orientation with the West. End Summary.

THE BEST POSSIBLE FACE

12. (S) Following through on his commitment to provide a read-out on PM Gyurcsany's attendance at the Finno-Ugric Summit in Saransk July 19, Banai described the event as having been "positive with regard to the rights of the Finno-Ugric minority" in Russia, highlighting President Putin's commitment to respect "the rights of all communities in Russia." The Hungarian delegation had pressed for broader provisions for the use of native languages in education and also announced its intention to open 10 "Hungarian Points" (roughly equivalent to American Corners in Banai's description) in Finno-Ugric speaking regions.

13. (S) Banai worked hard to deflect the issue of Estonia's effective exclusion from the event, noting that Tallinn "never requested that we not attend" and underscoring that PM Gyurcsany had remained in close contact with his Estonian counterpart before and after the event. The PM had, Banai said, noted in his one-minute address his hope that Estonia would be able to participate in future cultural fora without regard to "political issues."

14. (S) At a late-night fifty-minute bilat at the airport, Gyurcsany and Putin had affirmed their readiness to further develop economic ties. Banai reported that Gyurcsany had asked Putin directly about alleged Russian involvement in OMV moves against MOL in order to "lay down a clear marker" regarding his commitment to defend Hungary's strategic industries. He received Putin's "laughing" assurances in response. (Note: Banai reported that Putin had also smiled in response to a comment by one Hungarian academic regarding the declining birthrate of the Finno-Ugric communities, noting that "the Russian population too" is in decline. End Note.)

15. (S) Gyurcsany and Putin had also agreed to:

Form a Ministerial-level inter-governmental committee to discuss "agricultural, economic and other issues" in Moscow in September or October. (Note: Banai suggested that Minister for Cabinet Affairs Peter Kiss would lead the Hungarian delegation and categorically ruled out Putin's attendance at the event. End Note.)

Convene a bilateral Joint Economic Committee in Budapest September 18. Banai believes that Economy Minister Koka would lead the Hungarian delegation ... if he is still in office (Ref A).

16. (S) On energy, Putin reportedly responded to Gyurcsany's questions re "pipelines in the pipeline" by referring to a pending "cost-benefit analysis" of the various options due out in 2 months. Putin referred to ongoing contacts with Italy, Bulgaria, Greece, Serbia, and Austria but provided few specifics. He was negatively disposed toward Ankara's interest in "controlling and reselling" gas flowing through Turkey.

KOSOVO: NO RESOLUTION ... LITERALLY

17. (S) Trilateral discussion of Kosovo over dinner produced no breakthroughs, with Putin categorically rejecting "any UNSCR which would violate state sovereignty based on self-determination." Although both Gyurcsany and Finnish President Hallonnen had solicited Putin's ideas for acceptable language in a draft resolution, they found him completely unyielding, "not saying veto" but "making clear that no resolution would be successful."

BUDAPEST 00001190 002 OF 002

WHAT THE PRIME MINISTER WOULD HAVE SAID

18. (S) Responding to Ambassador Foley's question regarding Putin's critical statements re the UK while in Gyurcsany's company, Banai noted that he had "given the PM our position - the EU line" on the Litvinenko issue. Questions on the case had not been posed to Gyurcsany, Banai concluded, but it "should be clear what the PM would have said, both as an EU partner and a NATO ally."

19. (S) Asking us to go off the record, Banai continued candidly that he had advised the PM to "knock off" the meetings with Putin. Banai confessed that he had inherited the Saransk trip and been unable to convince the PM to reconsider his attendance despite the risk of a negative reaction in Washington and elsewhere. (Note: This tracks precisely with what we've heard from opposition figures, who respect Banai and have established contact with him in his new position. End Note.) Gyurcsany, he explained, has focused on the economic benefits of trade with Russia and is "only now seeing the political consequences." Helping him do so, he concluded, is "why I was selected for this job." Although "it will take time" to see "visible progress," Banai believes the PM understands the gravity of the situation and predicted that we will not see "more meetings with Putin in the near term." "Our economic relationship with Russia is one thing," he concluded, "but if it is a zero-sum game then our political Alliance is with the West."

110. (S) Comment: Expecting close questioning on the PM's trip, Banai delivered his points effectively and made his personal appeal for time to "turn the Prime Minister around" earnestly. Following A/S Fried's trip (Ref B), Gyurcsany knows his statements are being scrutinized and that his actions will be the ultimate metric. We share Banai's hope that the Saransk trip will be the last of the recent summits with Putin, which - at best - put him in a position of implicitly endorsing what Putin says and does. We will also keep a close eye on how Budapest defines the emerging delineation of its economic ties with Russia and its

political relationship with the West, knowing that Moscow may draw no polite distinction between the two. End Comment.

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